

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

Reserve

WORLD SITUATION FOR FOOD AND AGRICULTURE

Address by D. A. FitzGerald, Secretary-General, International Emergency Food Council, before the 24th Annual Agricultural Outlook Conference, Washington, D. C., October 7, 1946.

I should like to make my comments under two general headings: first, the world food and agriculture situation in the months immediately before us; and, second, the longer-term outlook and the proposals which have been suggested in connection therewith.

As to the situation in the months immediately ahead, a little prospective is necessary in order to provide the setting. In the year following V-J Day, such stocks of food as had been accumulated during the war years, or were available from 1945 production, were rapidly distributed in an effort to meet the very urgent demands for food which became effective when the end of the war permitted access to many parts of the world previously shut off by enemy occupation. However, 1945 crops were well below prewar; first, because of an unusual series of adverse growing conditions in many parts of the world; and, second, because of the inevitable dislocation of agriculture in wartorn countries.

Stocks of food which were available, particularly in North and South America and in the United Kingdom, proved quite inadequate to meet the needs that emerged. In retrospect it is now clear that, the concern which, almost exactly a year ago today, many people felt about the impending accumulation of food surpluses with no place to go was completely unfounded. I mention this primarily to stress the fact that during the last year, such stocks as the world had on hand were largely consumed, so that during the current year, the world is going to have to subsist largely on current production.

In the case of cereals, for example, stocks of wheat in the four major exporting countries on July 1 of this year were 450 million bushels less than they were July 1, 1945, and at a level from which they could not be further reduced. In addition, there was a million ton decline in U.K. stocks of wheat and comparable declines in many other importing countries. World stocks of fats and oils have similarly declined as have those of sugar.

We, in the United States, frequently tend to overlook this drastic change in the stock position and to give undue weight to this year's record crops of wheat and corn, a near-record crop of oats, and large crops of barley and grain sorghums.

Cereal production in the United States this year will be an all-time record, but total supplies will not. And this latter fact is the one that needs constantly to be remembered. We need to remember, too, that there are more mouths to feed today, both in this country and in the world, by 5 to 10 percent than there were in that "good old" prewar period 1935-39.

For the basic foodstuffs--cereals, fats and oils, meat, dairy products and sugar--world supplies during the current year will be well below both effective demand and basic nutritional needs. The gap will be particularly wide in the case of fats and oils and will not be much less in the case of cereals. Your Office of Foreign Agricultural Relations recently estimated that international trade in fats and oils during the coming year is not likely to greatly exceed 3 million tons, as compared to over 6 million tons in a typical prewar year, and a current demand, even at relatively high prices, for double the quantities that appear likely to be available.

In the case of cereals, importing countries would like to obtain and would be prepared to pay for at least 35 million tons for food and feed. Yet the volume of export supplies that appears likely to materialize is unlikely to exceed 25 million tons. Importing countries almost universally will have to continue bread rationing, high extraction ratios, and other measures designed to limit the quantity of cereals used for food consumption, and will be able to make little progress in the rehabilitation of livestock production.

Under these conditions, it is impossible to conclude that cereals are in other than short world supply and that it will require effective international cooperation if the supplies available for food consumption are to be maximized and the minimum degree of equity achieved in their distribution.

The problems facing the world in preventing a completely chaotic situation developing in connection with the distribution of fats and oils appear at this time to be even more difficult.

The need for effective international cooperation is accentuated by the prospective large deficits in most basic foodstuffs. At the same time these large deficits put what may turn out to be almost intolerable strain on the existing cooperative machinery--the International Emergency Food Council. This Council was established last June to succeed the wartime Combined Food Board. Twenty-four countries, each with an important interest in the international trade of one or more food products, comprise the membership of the Council.

Its functions--to quote its terms of reference--are to consider, investigate, inquire into and formulate plans with regard to any question relating to the supply and distribution in or to any part of the world of foods, agricultural materials from which foods are derived and materials ancillary to the production of such foods, and to make recommendations to the member governments in respect of any such question. In particular, the International Emergency Food Council, in collaboration with all interested nations, is to formulate plans and recommendations for the most effective use of their food resources during the present emergency. Initial responsibility for making recommendations is lodged with the Commodity Committees of the Council of which there are about 15.

It must be recognized at the outset, that the Council has no authority whatsoever to impose its will even on its member nations. Its functions are limited to making plans and recommendations which member countries are pledged to carry out only if they concur in them. The active support and cooperation of member countries, particularly the member exporting countries, is vital to the Council's success. They must be willing and able to make sacrifices in the interest of achieving at least the degree of equity in the distribution of the world's available supplies of food essential to save human lives and contribute to the development of a lasting peace.

The Secretary of Agriculture, in his remarks, mentioned the progress that had been made, particularly in the United States, in reconverting from war to peace. The fact that reconversion in this country has made so much progress^{uses} along certain lines has accentuated the difficulties of effective international cooperation in the period of worldwide food shortage. There is more and more internal pressure to turn everything loose. People are tired of restrictions and "red tape" and are not convinced that their ultimate well-being will be improved if at least enough of these controls are continued to permit this country to make its equitable contribution to the food needs of the world.

It always is easier for people and for nations to collaborate to fight a common enemy than to help their mutual friends, even to live, much less to rehabilitate. The Council's predecessor, the Combined Food Board, was able in a large measure to obtain reconciliation of conflicting interests of its members in the face of common danger. Conflicts of interest which, during the war, could be worked out in a matter of hours or days, now take weeks or months. In the race for economic well-being and for postwar international trade, nobody wants to be left at the post. There is an inevitable tendency to "jockey" for position --a failure to appreciate that the net effect may well be that everybody loses.

The alternative to some reasonable degree of international cooperation, together with the internal management and controls necessary for each country effectively to carry out its fair share of the cooperative effort, is a wide-open competitive race--each man or nation for himself. In view of the disparity between supplies and requirements of many basic foodstuffs, a wide-open competitive race can only result in an even more rapid spiraling of world food prices. Even today, there are danger signals all around us. At no time in modern history has there been such wide variations in prices for similar or substitutable products. The price of sunflower oil in Argentina is four times the price of palm oil in Africa. Similar differences exist in many other countries and products.

It is not the purpose of the Council to attempt to maintain world food prices at levels that would inhibit in any manner the recovery of world food production for which such a desperate need exists. But taking advantage of the urgent necessity of food to keep body and soul together to obtain exorbitant and even spectacular profits is another matter. It bears most heavily on those least financially able to compete for the limited supplies. It substitutes financial resources for need as the controller of distribution. It contains the seeds of its own inevitable collapse--and even the seeds of future wars. People will fight to live and that may be the only alternative if they are priced out of the market.

Vital as the problems of the moment are, we cannot afford to neglect those we are likely to face in a more distant future. Sooner or later, the status of the world's economic and political development being what it is, we are likely to face the reappearance of a situation in which apparent food surpluses accumulate on the one hand, while millions of people go hungry on the other.

Incidentally, I, for one, do not believe this situation will arise as soon as some people anticipate. For cereals, fats and oils, sugar, and certainly for livestock products, two or three years must almost certainly elapse before world production will be able to meet effective demand and rebuild stocks to a comfortable working level. Of course, all bets are off if a worldwide collapse of prices were to occur before then. The higher prices go now the more certain and violent is the eventual collapse likely to be.

But when the so-called surpluses reappear--what plans will have been developed to meet the situation? This leads to the second part of my remarks.

We are all personally familiar with that phenomenon of the modern world with its almost complete reliance on money and prices to guide production and distribution--agricultural surpluses. At the same time, we are told that there is much malnutrition and starvation in the world. Each of us may have seen isolated or perhaps even numerous instances of this malnutrition. But heretofore the knowledge has been vague. Now for the first time--thanks to the Food and Agriculture Organization--we have some comprehensive facts and figures on the subject.

As one of its first tasks, FAO has made a survey of the world food situation just before the war. It should be "required reading" for everyone interested in any aspect of food production or distribution. The survey covered 70 countries whose people make up 90 percent of the world's population. What did the survey show? Let me quote from the summary.

"In areas containing over half the world's population, food supplies at the retail level (not actual intake) were sufficient to furnish an average of less than 2250 calories per caput daily.

"Food supplies furnishing an average of more than 2750 calories per caput daily were available in areas containing somewhat less than a third of the world's population.

"The remaining areas, containing about one-sixth of the world's population, had food supplies that were between these high and low levels."

About 10 percent had a per capita consumption of 3,000 or more calories a day--the United States was one of the 11 countries in this class with a per capita consumption of about 3,250.

The FAO Survey then goes on to do a little simple arithmetic. How much food would be needed if intake in the low calorie countries were raised--not to the U.S. level or even to the level of the top 10 percent, but merely to a level which nutritionists advised was required for reasonable health and working ability--about 2650 calories per person per day. If it is assumed that this objective were to be reached by 1960, so as to allow for population growth, the following increases in production would be required:

Cereals	21 Percent
Fats	34 Percent
Meat	46 Percent
Milk	100 Percent

The Survey merely points out the facts regarding the world's nutritional status. It mentions, but does not propose solutions to, problems of financing and distribution.

Last May, an international meeting convened by FAO was held in Washington to discuss the urgent food problems the world was then facing. In addition to making a number of recommendations dealing with the immediate situation, the meeting requested the Director-General of FAO to submit at its next session "a

survey of existing and proposed intergovernmental organizations designed to meet long-term problems concerned with the production, distribution, and consumption of food and agricultural products, including the risk of accumulating surpluses," and "to make proposals to the Conference on any extension of the functions of existing organizations or on any new organization which the survey may indicate as necessary."

The Director-General immediately went to work to meet this request. The results were embodied in a report entitled "Proposals for a World Food Board" submitted to the recently concluded Conference of FAO at Copenhagen.

I am sure Sir John would be the first to insist that his proposals were not more than one possible first approximation to a common solution to the twin problems of malnutrition and hunger on the one hand, coincident with burdensome surpluses on the other. He proposed a World Food Board, with the following functions:

- "1. To stabilize prices of agricultural commodities on the world markets, including provision of the necessary funds for stabilizing operations.
- "2. To establish a world food reserve adequate for any emergency that might arise through failure of crops in any part of the world.
- "3. To provide funds for financing the disposal of surplus agricultural products on special terms to countries where the need for them is most urgent.
- "4. To cooperate with organizations concerned with international credits for industrial and agricultural development, and with trade and commodity policy, in order that their common ends might be more quickly and effectively achieved."

Questions of financing, of the size of buffer stocks, the degree of control of such stocks by the Board, the range in which the Board would be instructed to stabilize prices, and the conditions under which stocks of the board would be released to countries where the need for them was most urgent, were largely ignored.

Sir John would be the first to recognize that it would be impracticable, if not undesirable, continuously to subsidize the flow of food into low-calorie countries. Low-calorie countries tend to be low-income countries. The permanent solution must be the raising of incomes in such countries, so that they can afford to pay going prices. But while incomes are being raised, subsidized shipments of agricultural surpluses might be justified and would, of themselves, help to promote the health and vigor necessary to raise incomes. In essence, Sir John asked if the basic objectives were sound. If so, he insisted that a way could be found for achieving them.

The presentation of the proposals, and the discussion of them by the 33 countries represented at Copenhagen, was undoubtedly the highlight of the Conference. The reception was most favorable. After several days' discussion, the Conference accepted the main objectives of the Director-General's proposals

which it described as:

"(a) developing and organizing production, distribution and utilization of the basic foods to provide diets on a health standard for the peoples of all countries; and

"(b) stabilizing agricultural prices at levels fair to producers and consumers alike."

It established a Commission consisting of 16 member nations of FAO, and invited three non-member nations, U.S.S.R., Argentina, and Siam for discussions concerning rice, to participate, as well as specialized intergovernmental organizations such as the International Labor Organization, the World Health Organization, the International Bank, the Monetary Fund and the Social and Economic Council.

The Commission will meet in Washington beginning October 28. The final report will be submitted to the Director-General of FAO, who is to circulate it amongst the FAO member governments and the international agencies concerned.

Finally, the report will be considered as soon as possible by an FAO Conference which is to pass it on with its recommendations to the United Nations.

Much, of course, remains to be done. Time alone will tell whether the Preparatory Commission will be able to work out solutions to all the problems that it will face in developing a specific program to achieve the objectives which the FAO Conference at Copenhagen so strongly endorsed. In my opinion, much depends on the continued active interest and support of the United States.

Under-Secretary N. E. Dodd, who headed the U.S. Delegation to Copenhagen, provided most constructive leadership at this Conference and I am sure that his active interest in the work of the Preparatory Commission can be counted upon.